

TWENTY-SIXTH REPORT
ESTIMATES COMMITTEE
(1985-86)

(EIGHTH LOK SABHA)

MINISTRY OF AGRICULTURE

[Action taken by Government on the Recommendations Contained in the
Seventy-Fourth Report of Estimates Committee (7th Lok Sabha) on the
Ministry of Agriculture—Distribution of Fertilisers]



Presented to Lok Sabha on 27.2.1986

LOK SABHA SECRETARIAT
NEW DELHI

February 1986/Phalguna 1907 (S)

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CORRIGENDA
TO
TWENTY-SIXTH REPORT OF ESTIMATES COMMITTEE
(ACTION TAKEN) ON DISTRIBUTION OF FERTILISERS
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(1985-8)

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INTRODUCTION

1. the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Twenty-sixth Report on action taken by Government on the recommendations contained in the Seventy-fourth Report of the Estimates Committee (7th Lok Sabha) on the Ministry of Agriculture—Distribution of Fertilizer.

2. The Seventy-fourth Report was presented to Lok Sabha on 18th April, 1984. Government furnished their replies indicating action taken on the recommendations contained in that Report on 16th November, 1984. The replies were examined by the Committee at their sitting held on 18th February, 1986 and draft Report was adopted by the Committee on 18th February, 1986.

3. The Report has been divided into following Chapters :—

- (i) Report
- (ii) Recommendations/Observations which have been accepted by the Government ;
- (iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies;
- (iv) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee;
- (v) Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in seventy-fourth Report of Estimates Committee (7th Lok Sabha) is given in Appendix. It would be observed that out of 29 recommendations made in the Report, 20 recommendations i.e. 69% have been accepted by Government and the Committee do not desire to pursue 6 recommendations i.e. about 21 per cent in view of Government's replies. Replies have not been accepted in respect of 3 recommendations i.e. about 10 per cent.

NEW DELHI

February 25, 1986
Phalgun 6, 1907 (S)

CHINTAMANI PANIGRAHI,

Chairman,
Estimates Committee.

CHAPTER 1

REPORT

1.1 This report of the Estimates Committee deals with Action Taken by Government on the recommendations contained in the Seventy-fourth Report (7th Lok Sabha) on the Ministry of Agriculture—Distribution of fertilizers, which was presented to Lok Sabha on 18th April, 1984.

1.2 Action Taken Notes have been received in respect of all the recommendations contained in the Report. These Notes have been categorised as follows :—

- (i) Recommendations/Observations which have been accepted by the Government :

Sl. Nos. 1,2,5,6,7,8, 11,12,13,15,16,18,19,23,24,25,26,27,28 and 29

(Total 20—Chapter-II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies :

Sl. Nos. 9,10,17,20,21 and 22

(Total-6—Chapter-III)

- (iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee :

Sl. Nos. 3, 4 and 14

(Total-3—Chapter-IV)

- (iv) Recommendations/Observations in respect of which final replies are still awaited :

NIL

1.3 The Committee will now deal with action taken by Government on some of the recommendations :

Under-utilisation of capacity in fertilizer units :

Recommendation (Sl. No. 3, Para 1.16)

1.4 The Committee had found that during the last three years (1980-81 to 1982-83) as many as 13 fertilizer units had worked at less

than 50 per cent of their respective capacities. The Committee had, therefore, desired that effective steps should be taken by Government to prevent such gross under-utilisation of capacity in fertilizer Units.

1.5. In their reply the Ministry have stated that the low capacity utilisation in some of the fertilizer Plants was due mainly to (i) old and ageing equipments, (ii) frequent mechanical failure due either to defective design or defective equipments or both at a number of Units, and (iii) unstable power supply and power restrictions faced by some Plants. In addition, the direct power cut/restrictions imposed by the State Electricity Boards resulted in considerable loss of production year after year. They have further stated that all possible efforts are being made to obtain maximum possible production from the old plants. In plants having equipment and design defects, programmes involving renovation/de-bottlenecking/replacement have either been carried out or are being planned. In order to tackle the problem of unstable power supply and the power restrictions, captive power facilities are either under-installation or are being considered. Operation of the plants is expected to improve with the implementation of aforesaid measures.

1.6 The Committee note that efforts are now afoot to obtain maximum possible production from old and ageing fertilizer plants by launching renovation/de-bottlenecking/replacement programmes. However, the Committee cannot but deplore the belated realisation of the need for taking urgent steps in this direction. Defects in design or equipment would have come to notice immediately upon the commissioning of the machines or after observing their working over a short period. Had remedial action been planned out earlier and implemented systematically over a period, the production in the plants would not have suffered to the extent it did. At this stage the Committee can only suggest that the implementation of the programmes underway should be brought on a crash footing so that maximum possible production is achieved in as short a time as possible.

Power Shortage

Recommendation (Sl. No. 4, Para 1.17)

1.7 In the original Report the Committee had observed that apart from shortage of inputs one of the major factors which adversely affected utilisation of capacity in fertilizer plants was the power shortage. The Committee had urged that proposals for augmentation of captive power generation capacity in fertilizer plants might be viewed with favour and cleared expeditiously.

1.8 In their reply the Ministry have stated that the power problem being faced by the fertilizer plants is of two kinds. One is the power cut/restriction imposed by the State Electricity Board and the other of unstable power supply. As regard the problem of direct power cut/restriction, the position could satisfactorily improve only if there is adequate availability of power. In order to ensure the frontend running of the plants and to

reduce the time in re-start-up of the plants when power cuts are restored, small captive power facilities have been provided in many fertilizer plants. Bigger capacity captive power plants are also under installation. These various schemes, when completed, would go a long way in removing the problem faced by the fertilizer plants on account of unstable power supply and power restriction.

They have further stated that learning from the experience of the past many years, the Government have decided to equip all new Nitrogenous Fertilizer Plants with captive power facilities. The aforesaid measures being taken by the Government would help mitigate the power problems faced by the fertilizer plants and enable them to achieve higher and sustained operation.

1.9 In their earlier recommendation the Committee had observed that apart from shortage of inputs, one of the major factors which adversely affected the utilisation of capacity in fertilizer plants was the power shortage and had urged that proposals for augmentation of captive power generation capacity in plants might be cleared expeditiously. The Committee note the reply of the Ministry that captive power plants/generation facilities are under installation in the fertilizer plants and when completed would go a long way in removing the problem faced by the fertilizer plants on account of unstable power supply and direct power cuts. Here again the Committee have to point out the lack of foresight and a sense of urgency on the part of the Ministry in tackling the problem which has been persisting almost *ab initio*. They hope that at least now the programme for installation of the captive power plants/generation capacity for the fertilizer plants would be made time-bound and implemented with the seriousness that the problem commands.

Apportionment of distribution margins

Recommendation (Sl. No. 14, Para 2.19)

1.10 In paragraph No. 2.19 of the Original Report the Committee had observed that there was a three tier system of cooperatives who handled the distribution of fertilizers viz. (i) Apex Federation at the State level (ii) Marketing Society at the District level and (iii) Primary Marketing Society at the village level,.....There were reports that the Apex level Federations keep a major portion of distributor's margin leaving very little margin for the village level cooperative societies with the result that these societies found the distribution business unremunerative. The Committee had, therefore, suggested that, in consultation with the State Governments/Union Territories Administrations, fair distributor's margins might be fixed for different levels of cooperative societies in order to sustain their interest in distribution of fertilizers.

1.11 In their reply to the Committee, the Ministry have stated that apportionment of distribution margins among the tiers of distributing agencies in the cooperative sector had been gone into in the past at different meetings/conferences of Cooperative Marketing Federations and State Governments. In view of the complexities involved, no uniform pattern

could be adopted throughout the country. They have added that these issues were again discussed in a meeting with the representatives of the State Cooperative Marketing Federations and Registrar of Cooperative Societies held in September, 1983 who observed that the Apex Marketing Federation had to play a crucial role in the promotion, coordination, organisation and monitoring of the entire system of fertilizer distribution even if direct supplies were arranged from the manufacturer to the PAC/retailers which is considered preferable. So far as sharing of distribution margins was concerned, the Apex Federation should ordinarily not keep more than 10 to 15 per cent of the margin in case of direct supplies to PACs and the remaining distributing margins should be passed on to the lower tiers so that they get strengthened.

At the end they have stated that the above recommendations of the Conference were also forwarded to the State Governments concerned for their consideration. The same would be reviewed again at the next Conference of the Registrar of Cooperative Societies etc.

1.12 In any fertilizer distribution system, both the Apex marketing Federation, at the State level and the Primary Society at the village level, have an important role to play and rational distribution of margins among the different levels of cooperative is of paramount importance in order to sustain their interest in distribution of fertilizer. The Committee are however, constrained to note that no uniform pattern has been adopted throughout the country. The Committee are informed that the matter was discussed in a meeting with the representatives of the State Cooperative Marketing Federations and the Registrars of Cooperative Societies who recommended that Apex Marketing Federation of States should ordinarily not keep more than 10 to 15 per cent of distribution margins for their role in the promotion, coordination, organisation and monitoring of the system and the remaining distribution margins should be passed on to the lower tiers so that they get strengthened. The Committee would like the Ministry to impress upon the State Govts. the need for implementation of the above recommendation and also monitor the action taken by the State Governments.

Implementation of Recommendations

1.13 The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by the Government. They would, therefore, urge that Government should ensure expeditious implementation of the recommendations accepted by them. In case where it is not possible to implement the recommendation in letter and spirit for any reason the matter should be reported to the Committee in time with reasons for non-implementation.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Para 1.5)

The Committee note that it is the Government's policy "to provide fertilizer in right time, in adequate quantity, at right price and right place to the farmers". In pursuance of this policy, a number of steps have been taken which include establishment of 690 centres for stocking of imported stocks, increase of sale points, sale of fertilizer to farmers at a uniform price throughout the country, meeting transport cost of fertilizer right upto the Block Headquarters, grant of loans to State Governments for being given to cooperative sector for purchase and distribution of fertilizers to the farmers, observance of National Agricultural Fortnight in June, 1983, supply of fertilizer free of cost to small and marginal farmers etc. During evidence, the Secretary, Ministry of Agriculture expressed his concern about inadequate availability of fertilizer in the various States especially in the interior rural areas. Shortage of fertilizer adversely affects our foodgrains production. The Committee feel that if gains of green revolution are to be consolidated Government should evolve a more effective and integrated policy in consultation with State Governments to ensure adequate availability of quality fertilizers to farmers all over the country, even in the remotest areas, at a price which is within their reach.

Reply of Government

As per the recommendations of the Estimates Committee to evolve a more effective and integrated policy to ensure adequate availability of quality fertilizers to farmers all over the country even in the remotest areas at a price which is within their reach, the States have been consulted. They have expressed the view that by and large the present system takes care of the need for an integrated and effective policy with respect to the availability of quality fertilizers all over the country at prices within the reach of the farmers. It has been considered that the supply plan of fertilizers finalised in consultation with the States every six months, based on the procedures providing recommended dosage for crop area converted into standard hectares, provides for a scientific basis for evaluation of the agro-economic needs of the States for fertilizers. The principle of distribution of fertilizers through indigenous sources following the principal that no State

should depend on one unit for supply of its entire requirements or vice-versa has been evolved after detailed consideration, lest in case of break down of the factory or loss in production due to power cuts, labour troubles etc., the State may not be completely hampered in meeting its requirements for fertilizers. Keeping in view the needs to protect the indigenous manufacturers by providing them proper markets, their dependence on one State alone may be extremely detrimental in case of loss in demand due to draughts, floods, etc. However, order to minimise the cost of distribution, an attempt is made to minimise distances in making these allocations. The gap between indigenous availability and the requirements of the State is met by importing adequate stocks from outside and fulfilling it through the pool sources. With a view to ensure that the fertilizers reach the remotest areas, the Government have recently introduced the system of payment of freight upto block headquarters for the fertilizers which was earlier paid only upto the rail head destinations. In addition, Government has a concerted and continued programme for augmenting the number of sale points both in the cooperative and private sectors. The sale points which were 1.11 lakhs in 1981-82 have gone upto nearly 1.45 lakhs at the end of 1983-84. Instructions have been given to the State Governments to ensure that the new sale points are located in interior areas and are not confined only to the cities and towns. The consumption and supply position of fertilizers are kept under constant review by both the State and the Central Government and whenever any adjustments or additional allocations are required, it is done even at short notice.

In order to ensure that the quality of these fertilizers is upto the standard specification, of late, a renewed emphasis has been laid on strengthening of the infrastructure and organisation of the quality-control enforcement apparatus available both with the Government of India and the States. Whenever complaints about malpractices or irregularities in sale of fertilizers have been reported, action has been taken either by sending Central squads or bringing the cases to the notice of the State Governments for taking immediate remedial measures. In order to complement the efforts of the State Governments, the Central Government have assumed powers to appoint their own quality control inspectors. Nine technical officers working in the Central Fertilizer Quality Control and Training Institute, Faridabad have been declared as Inspectors. Arrangements have been made to train the enforcement staff of the State Governments in quality control of fertilizers under the auspices of Central Fertilizer Quality Control & Training Institute, Faridabad. With a view to check the quality of imported fertilizers as also to supplement the efforts of the State Governments with respect to the analysis of samples, the Government of India have sanctioned the establishment of three additional Regional Quality Control Laboratories at/near Bombay, Calcutta and Madras with an analysing capacity of 2,500 samples each per annum. This would be in addition to the capacity of the Central Fertilizer Quality Control

& Training Institute, to analyse 5,000 samples per year. With a view to removal of acunae in the Fertilizer Quality Control Order enacted under the Essential Commodity Act, 1955, as also to make its provisions more stringent, a comprehensive review of its various clauses has been made with a view to make such amendments as would be necessary.

In order to ensure the availability of fertilizers at reasonable price to the farmers, the Government of India have been extending substantial amount of subsidies both on indigenous and imported fertilizers from year to year. The amount of subsidy extended on this account was about Rs. 375 crores in 1981-82, Rs. 605 crores in 1982-83 and Rs. 1042 crores in 1983-84. With a view to ensure better input and output ratio so as to make the farming operations more remunerative, the Government of India announced a reduction of $7\frac{1}{2}\%$ in prices of all varieties of fertilizers with effect from 29th June, 1983. With this reduction, only 3.41 Kg. of paddy are required to buy 1 Kg. of nitrogen in urea against 4.19 Kg. of paddy required earlier.

The success of various measures taken by Government of India would be evident from the fact that the consumption of fertilizers had registered in all-time record of 78 lakh tonnes during the years 1983-84 which amounted to an increase of 22% within a single year. This had resulted in over 150 million tonnes of foodgrain production, an all-time record. As per the indication received so far, the trend is likely to be kept up during 1984-85. There could be no better indicator that the integrated policies of Government of India with respect to fertilizer distribution, quality control and pricing have proved effective as envisaged through the Green Revolution than this.

[Ministry of Agriculture, (Department of Agriculture & Coopn.)
O. M. No. 6-15/84-MD Dated 16-11-1984.]

Recommendation (Serial No. 2, Para 1-15)

The Committee cannot help pointing out that had our fertilizer plants worked to their optimum capacity, the import of 99.27 lakh tonnes fertilizers during the period 1978-79 to 1982-83 would have been considerably less, if not altogether eliminated.

Reply of Government

Government share the concern of the Committee about the under-utilisation of the existing fertilizer capacity in the country. Government agree that there is an imperative need to obtain maximum possible production from the fertilizer capacity already installed in the country. Concenpr

effortes are being made to identify and remove the bottlenecks in optimising fertilizer production, as per the details given in reply to paras 1.16 and 1.17.

[Ministry of Agriculture, (Department of Agriculture & Coopn.)
O. M. No. 6-15/84-MD Dated 16-11-1984.]

Recommendation (Serial No. 5, Para 1.35)

The Committee find that while the consumption of fertilizers in India has gone up from the level of 42.86 lakh tonnes nutrients in 1977-78 to 64.18 lakh tonnes of nutrients (estimated) in 1982-83, the year-wise growth of consumption of fertilizer has not been uniform. Growth of consumption of fertilizer which was 19.14 per cent over the previous year's consumption in 1978-79 declined to 2.7 per cent in the subsequent year *i.e.* 1979-80. After registering some improvement in the years 1980-81 (5 per cent) and 1981-82 (9.93 per cent) the growth rates slumped to 5.8 per cent in 1982-83. The Secretary, Ministry of Agriculture attributed the fall in the growth rate of fertilizers to increases in the price of urea in June, 1980 and July, 1981, droughts in 1979-80 and 1982-83 and inadequacy of cheap credit to farmers for the purchase of fertilizers.

Reply of Government

The observation has been noted. The effect of reduction in fertilizer prices w.e.f. 29-6-1983 and favourable weather have been amply reflected in spurt in fertilizer consumption in 1983-84. Record addition of consumption of 14 lakh tonnes of fertilizer nutrients was achieved in 1983-84 over 1982-83. Keeping in view the important role of short term credit in increasing the fertilizer consumption its quantum has been increasing from year to year. Against a short term loan of Rs. 1942.44 crores (provisional) in 1982-83, advanced by Primary Agricultural Credit Societies the target for 1984-85 has been fixed at Rs. 2500 crores. The quantum of short term loan advanced by Commercial Banks is also gradually increasing. In 1980-81, the commercial banks had advanced a short term loan of Rs. 517.2 crores, and in 1984-85 they are expected to increase it to 1110.00 crores (This includes Regional Rural Banks also).

[Ministry of Agriculture, (Department of Agri. Coopn.) O.M
No. 6-15/84-MD Dated 16-11-1984.]

Recommendation (Serial No. 6, Para 1.36)

Ministry of Agriculture have intimated that various steps have been taken by them to boost fertilizer consumption in India. These include increase in domestic production, import of fertilizers, increase in support

price of crops to absorb increase in fertilizer prices, meeting transportation charges on distribution of fertilizers upto block headquarters, increase in distribution margin and launching fertilizer promotion campaign etc. The Committee, however, find that while the consumption of fertilizer per hectare of agricultural land in India has gone up from 0.5 Kg. in 1951-52 to 36.6 Kg. in 1982-83 i.e. 70 times, it is still far less than the consumption levels achieved by other Asian countries. For example fertilizer consumption per hectare of agricultural land in 1980-81 was 367.6 Kg. in Republic of Korea, 332.5 Kg. in Japan, 66.7 Kg. in Israel, 48.0 Kg. in China, 43.4 Kg. in Bangladesh and 39.8 Kg. in Pakistan. The Secretary, Ministry of Agriculture pointed out in evidence that low level of fertilizer consumption in India is due to the fact that we get rains only in 4 months during a year and 70 per cent of our land is unirrigated in which lesser quantity of fertilizers is used. 80 per cent of fertilizer is consumed in 30 per cent of the area. 30 per cent of our farmers do not use fertilisers at all. He also stated that the prices of fertilizers are much higher in India than those in other countries and this also adversely affects growth in fertilizer consumption. The Committee recommend that Government should devise a long term strategy and provide incentives to farmers to boost fertilizer consumption in India so as to bring to the level of at least the developing countries of Asia.

Reply of Government

As a long term strategy to increase the fertilizer consumption the following steps are being taken :—

1. Additional capacities are being installed to increase the indigenous production of fertilizer to ensure timely availability.
2. For increasing the area under HYV programme, which are fertilizer responsive, the area under irrigation is being increased regularly. From a level of 52.32 million hectares gross irrigated area at the beginning of the Sixth Plan it is estimated that the gross area under irrigation will go up to 63 million hectares by the end of current plan (1984-85). Assuming that the area under irrigation will go up by 2.25 million hectares every year the gross area under irrigation is likely to be about 75 million hectares by the end of the 7th plan (1989-90).
3. As an incentive to the farmers, the quantum of short term credit advanced by the Primary Agricultural Credit Societies is being increased regularly. It is envisaged that it will increase from a level of Rs. 1942.44 crores (Prov.) in 1982-83 to Rs. 5500 crores during 1989-90.
4. In order to improve the cost/benefit ratio of fertilizer use, the support prices of agricultural produce are constantly reviewed.

5. In order to encourage small and marginal farmers to take to the use of fertilizers, a centrally sponsored scheme of free distribution of mini-kits of fertilizers and seeds of pulses and oilseeds is under implementation.
6. For increasing the productivity of rice in low yielding states in East, a special rice production programme has been taken up in 51 selected blocks from Kharif 1984. This programme is likely to expand during 7th Five Year Plan. With the implementation of this programme the fertilizer consumption will go up.
7. To ensure supply of quality fertilizer to farmers, the quality control infrastructure is being strengthened both in the States and also with the Central Government.
8. To educate the farmers on increasing the use of fertilizers, Indo-British Fertilizer Education Project is in operation in 25 districts in low consuming States of the Eastern Region.
9. A similar project has been approved through assistance of EEC in 16 districts in the States of Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.
10. For balanced application of fertilizer for getting maximum yields/benefits the additional soil testing laboratories are being set up.

[Ministry of Agriculture (Deptt. of Agri. & Coopn.) O.M.No.6-15/84-MD Dated 16.11.1984.]

(Recommendation (Serial No. 7, Para 1.37))

The Committee are concerned to find that not only the level of fertilizer consumption in India is low, but there are wide regional imbalances also. While in Punjab the per hectare consumption of fertilizer is about 120 Kg., it is 45 Kg. in Haryana, 18 Kg. in Bihar, 10.9 Kg. in Madhya Pradesh, 7.9 Kg. in Rajasthan, 52 Kg. in Uttar Pradesh, 3.3 Kg. in Assam and only 4.5 Kg. in Northern Eastern Region. The Committee would like Government to analyse reasons for regional imbalances in fertilizer consumption and take appropriate measures to remove these imbalances.

Reply of Government

A Committee of experts was constituted to analyse the reasons for Regional imbalances and to suggest appropriate measures to remove these imbalances. On the basis of information received from low consumption States the Committee noted the following reasons for low consumption :—

1. Much of the area under cultivation of these States is under rainfed condition. The percentage of irrigated area in all these areas is very low.
2. Vagaries of monsoon leading to occasional flooding and periodical droughts during the same crop growing season which further hamper the chances of higher fertilizer consumption.
3. Weak cooperative structure for input distribution.
4. Poor transport facilities in North Eastern States.
5. High incidence of disease and pest attack.
6. Lack of credit availability and extension support.

The following measures have been taken to increase the consumption :

1. A special rice production programme has been launched in 51 selected blocks in these States from Kharif, 1984. The programme will expand during the 7th Five Year Plan.
2. In order to strengthen lower level cooperatives/primary agricultural credit societies, the NCDC has introduced a pilot project for intensive development of primary agricultural credit societies for undertaking fertilizer and other distribution activities in the States of Assam and West Bengal in the Eastern Sector.
3. Under the Pilot Project Scheme, for the establishment of farmers service centres, NCDC/IFFCO will open 2500 service centres in the States of Bihar, Himachal Pradesh, J & K, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal and North Eastern States during the 3 years period, i.e. 1983-84 to 1985-86. The farmers service centres will supply all inputs including fertilizers, seeds, pesticides, micronutrients and agricultural machinery alongwith appropriate technology under one roof.
4. NCDC is also helping in opening additional retail points in these States.

[Ministry of Agriculture, (Deptt. of Agri. & Coopn.) O.M.No. 6-15/84-MD Dated, 16.11.1984].

Recommendation (Serial No. 8, Para 1.38)

The Committee are alarmed to find that repeated use of nitrogenous fertilizer alone reduce the phosphorus content of the soil and unless this

deficiency is made up, the soil fails to support the normal growth of crops. Since this fact is not adequately publicised, the farmers using the nitrogenous fertilizer are likely to come to grief. The Committee would like Government to give adequate publicity to this fact in their fertilizer promotion publicity programmes. The Committee would also like Government to have soil testing in all the districts intensified and make available to the farmers only that mix of fertilizers which is suitable to the soil.

Reply of Government

As per the recommendations of the Estimates Committee, the State Governments were requested to give extensive publicity to balanced use of fertilizer including that of phosphatic variety. The States of Kerala, Maharashtra, Sikkim, Nagaland, Pondicherry & Goa, Daman & Diu have intimated that they were already emphasising need for the balanced use of fertilizers, including those of phosphatic fertilizers for augmenting food production. Bihar has intimated that the extension functionaries would be impressed upon from Rabi 1984 onwards for organising training on balanced use of fertilizers and to step up use of phosphatic and potassic fertilizers along with nitrogenous fertilizers.

The need for propagation of balanced fertilizers have also been emphasised at different forums by Government of India. Keeping in view the observations of the Estimates Committee on need for popularisation of the use of phosphatic fertilizers, the Government of India have also prepared a special manual on "The Importance of Phosphorus in Crop Production" and distributed it to the farmers.

The Government of India have a set policy that each district must have an independent laboratory. Keeping in view the policy of Government of India, the States have time and again been requested to ensure that at least one soil testing laboratory is set up in each of their districts. Even though this is a fact that the norms prescribed by Government of India have not been achieved in full, yet the number of laboratories have been going up from year to year as would be evident from the following figures.

Year	No. of Laboratories
1982-83	341
1983-84	386
1984-85	402

The installed capacity has also gone up year to year as would be evident from the following figures.

Year	Installed capacity (Million soil samples per annum)
1982-83	5.29
1983-84	5.64
1984-85	5.75

[Ministry of Agriculture (Department of Agriculture & Cooperation)
O.M. No. 6—15/84-(MD) Dated, 16.11.1984.]

Recommendation (Serial No. 11, Para 2.17)

The Committee are surprised to find that among the public sector/joint sector manufacturers who were entrusted with the handling and distribution of imported non-potassic fertilizers under a Multi Agency approach adopted by Government from May 1978, the handling expenses per tonne of bulk fertilizer have been the highest in the case of Food Corporation of India. For example, in 1981-82 while the handling charges were Rs. 726 in the case of Mangalore Chemical & Fertilizers and Rs. 649 in the case of Southern Petro-Chemical Industries Corporation, these expenses amounted to Rs. 1620.00 in respect of Food Corporation of India. According to the Ministry of Agriculture, the Multi-agency approach has resulted in an estimated saving of Rs. 235 crores in 1982-83 alone. The Committee would like Government to analyse why the handling charges of the Food Corporation of India are so high as compared to other distribution agencies.

Reply of Government

Food Corporation of India was inducted into the work relating to handling and distribution of imported non-potassic fertilizer in 1968. From that time till 29.2.1976, they were acting as agents of the Government. From 1.3.1976, the FCI have been handling and distributing the non-potassic fertilizers as principals on the basis of the ownership of the material under the guidance of this Ministry. The existing stocks to the tune of 15.02 lakh tonnes as on 1.3.1976 were transferred to FCI as per their book balances and corresponding money values. This handling of fertilizers by the FCI was on actual basis i.e. the cost of handling, distribution inventory carrying etc. were fully reimbursed by the Government. Owing to the large stock in hand as also the fact that actual costs were being met fully leaving no incentive for improving efficiency FCI's handling costs started mounting and the Government of India therefore, decided to introduce the 'Multi Agency System' in handling fertilizer. The multi agency system for handling was introduced in 1978. Under this system, it was envisaged that the new agencies i.e. IPL, RCF, HFC, SPIC and MCF would handle fertilizer on omnibus rates fixed by the Government. These new agencies started the handling of Fertilizers without any opening balance where as FCI had started

the handling of fertilizers with the opening stocks of 15.02 lakh tonnes transferred to them as on 1.3.1976 and thus the inventory carrying of the FCI mounted and were much higher in comparison of other agencies.

A broad look at the element-wise remuneration rates during the years 1980-81 to 1981-82 would indicate that the higher costs of distribution of fertilizers in the case of FCI in comparison to other handling agencies can mainly be attributed to the following factors :—

- (1) Inventory Cost
- (2) Handling at ports
- (3) Transportation
- (4) Transit and Storage losses

(1) *Inventory carrying cost :*

The inventory carrying costs of the agency depends on the quantity handled and its sale turn-over in the State and also on the speed with which it moves fertilizers from the ports to the States. Due to large quantities being handled by FCI in comparison of other handling agencies and also due to the factors indicated below it had not been possible for them to move and sell fertilizers in the States at a speed comparable to other Agencies. It would be clear from the statement that Food Corporation of India's sales as a percentage of opening stocks were lower than other agencies and that the position worsened sharply after 1980-81. The factors mainly responsible for the FCI not being able to compete with these agencies are as follows :

- (a) absence of any adequate marketing net work with the FCI, and
- (b) low acceptability of material with the FCI due to unstandardised weight and poor quality of bags. Consequently, while other agencies were able to sell pool fertilizers, FCI's sales were slower as a result of which FCI was carrying inventory of 16.78 lakh tonnes of material in May 1982. In view of these mounting handling costs of the FCI, allocation of shipments to the FCI was stopped from 1982-83.

To solve the problem of accumulated stocks, a two pronged strategy was conceived, namely :

- (i) FCI was asked to set up its own marketing organisation with a dealers network ;
- (ii) though the steps taken by FCI to set up its own marketing organisation was in the right direction, it was felt that it would

not be possible to achieve any specific result in a short time. It was, therefore, decided that these stocks may be disposed of through indigenous manufacturers of fertilizers/pool handling agencies under a Special Rebate Scheme of the Government of India. It was also decided that these stocks of fertilizers would be sold to the farmers at a rebate of 10% of the statutorily fixed maximum prices of fertilizers w.e.f. July, 1983.

As a result of this scheme bulk of the stocks lying with the FCI have been liquidated. The total stock at the end of February 1984 came down to 1.92 lakh tonnes which is 86.4% less than last year. This has reduced the interest liability of the Government which would have to be paid if the FCI had continued with the heavy accumulation of stocks. The need for further improvement in the system was also felt by this Ministry. As a result therefore, this Ministry have introduced some more agencies and have decided to fix the remuneration on a normative basis for all, including FCI.

(2) *Handling at ports:*

The ports at which agencies have handled ships in the past are :—

1. FCI — All major ports
2. IPL — Navalakhi, Rozi, Veraval, Bhavnagar, Jamnagar, Calcutta, Kakinda etc.
3. SPIC — Tuticorin, Cuddalore, Kakinanda.
4. RCF — Marmugao.
5. HFC — Calcutta.

The FCI have been handling the fertilizer vessels at major ports only where the cost of handling is more as compared to the minor ports. At major ports, organised labour is working and therefore, any agency handling vessels there have to pay necessarily certain statutory levies connected with the labour e.g. DLB levies etc. which inflates the cost of handling. The other agencies, which operate at minor ports get the work done through contractual labour which is cheaper as compared to that of major port labour.

(3) *Transportation :*

(4) *Transit and storage losses :*

FCI was assigned the main role of fertilizer distribution in the Northern States of U.P., Punjab, Haryana, and partly in Bihar. Therefore, they had to transport fertilizers mostly from the major ports located in Southern, Eastern and Western coasts involving very long transportation

lead and this distance is also responsible for higher transit losses. Similarly, storage of fertilizers in the godowns of other storage agencies viz. SWC or CWC for longer duration is also responsible for higher storage losses in comparison to other agencies whose main areas of distribution are nearer to their ports of operation.

An Evaluation Group on handling expenses of imported fertilizer has been constituted by the Government with a view to find out areas where economy could be introduced.

[Ministry of Agriculture (Department of Agriculture & Cooperation)
O.M. No : 16-15/84-(MD) Dated : 16.11.1984]

Recommendation (Serial No. 12, Para 2.17)

The Committee would also like Government to consider whether similar multi-agency approach could be applied in the case of potassic fertilizers which are at present being distributed solely by the Indian potash Limited.

Reply of Government

Action is being taken to organise movement of potassic fertilizers through various handling agencies in consultation with them.

(Ministry of Agriculture) (Department of Agriculture & Cooperation)
O.M. No : 6-15/84-(MD) Dated : 16.11.1984]

Recommendation (Serial No. 13, Para 2.18)

The Committee are concerned to note that though the share of co-operatives in distribution of Fertilisers in absolute terms has gone up from 21.43 lakh tonnes NPK in 1977-78 to 28.67 lakh tonnes NPK in 1981-82, in terms of percentage, it has come down from 49.50 per cent in 1977-78 to 47.00 per cent of the total consumption in 1981-82. It is indeed surprising that fall in the share of the co-operatives should come about despite Government's policy of encouraging the co-operatives in this field. The Committee would like Government to step up the share of co-operatives in distribution of fertilizers as it is only the co-operatives who can reach out to the far flung interior areas of our country.

Reply of Government

Several measures are being taken by the Government and the National Cooperative Development Corporation for encouraging co-operatives to step up their share in the distribution of fertilizers in various parts of the country. In particular, the following are relevant -

- (i) A programme of opening more retail outlets by co-operatives every year is being pursued. With the opening of about 5,000 addi-

tional retail outlets by cooperatives during 1983-84, cooperatives have now about 69,000 retail outlets as on 31st March, 1984. A programme of opening 5,000 more retail outlets has been drawn up for 1984-85.

- (ii) Pool handling agencies handling imported non-potassic fertilizers on behalf of the Government of India have been directed to offer a fixed percentage of the imported fertilizers to cooperatives for distribution in the States. Depending on the available arrangements and capacity of the cooperatives to handle in the various States, the percentages will be varied from time to time.
- (iii) Based on the experience of Gujarat and Punjab, some more States (M.P. & U.P.) have been trying on an experimental basis, the system of direct supply of fertilizers by manufacturers to the primary agricultural credit societies distributing fertilisers in the area, with least involvement of any intermediary or State level marketing federation.
- (iv) IFFCO, which is the largest cooperative and also the leading fertilizer manufacturer in the country, has diversified its activities by undertaking the establishment of farmers service centres in different States. These centres which are owned and managed by IFFCO itself, cater to the varied requirement of farmers and, in particular, they are distributing fertilisers from these centres which have become popular. Already IFFCO has opened 93 such centres for distribution of fertilisers etc.
- (v) A recent development in fertilizer distribution in the cooperative sector is a direct link between the Manufacturer (IFFCO) and the retail distributing agencies (Primary Agricultural Credit Societies). The National Cooperative Development Corporation in collaboration with IFFCO has sponsored a scheme during 1983-84 to assist select primary cooperative societies to set up farmers service centres on the lines of IFFCO service centres. Under the scheme, a programme of setting up of 2500 centres during the 3 years from 1983-84 is envisaged. This is proposed to be expanded to about 45000 such centres during the Seventh Plan period. These primary societies will be provided with assistance by NCDC and IFFCO which will be a long way in increasing the involvement of cooperatives and in the share of fertilizers distribution in various States.
- (vi) At present the total short-term credit provided by cooperatives for agricultural production is of the order of about Rs. 2500 crores. this is proposed to be expanded to about Rs. 5500 crores during the last year of the 7th Five Year Plan. One of the

important components in the short-term loan provided by primary credit societies is the 'B' component i.e. supply of fertilizers and other inputs to the farmers in kind which is linked with the credit institutions for credit disbursement. Efforts are being made to have an effective link between 'B' component of cooperative credit and input supply so that the cooperative system is strengthened, the share of fertilizer distribution by cooperatives is increased and the productive use of credit is ensured.

- (vii) The question of providing a concessional rate of interest in respect of B component loan given for inputs by cooperative banks, is being considered. This alongwith other measures will, it is expected, increase the flow of B component loan (supply of inputs including fertilizers) to the farmers and retail distribution of fertilizers by cooperatives during the 7th Five Year Plan.
- (viii) The National Cooperative Development Corporation is a planning and financing institution for cooperative activities including for distribution of inputs. Accordingly, NCDC has also been requested to take effective measures for promotion and assistance to cooperatives with a view to increasing the share of cooperatives in the distribution of fertilizers as recommended by the Estimates Committee. NCDC has written to the various States for intensifying their efforts in the matter, which would cover stocking of sufficient quantities of fertilizers etc. by cooperatives at every stocking point, opening of more sale points in the interior areas, deployment of mobile vans wherever necessary, organisation of special campaign, training etc.
- (ix) The Ministry and the NCDC have been taking up individual review of States for strengthening the cooperatives for distribution of fertilizers. A team consisting of the representatives of NCDC and the Ministry of Agriculture visited recently the Andhra Pradesh, reviewed the performance of cooperatives, and made a number of suggestions to the State Government and the State Marketing Federation for expanding the role of cooperatives in the distribution of fertilizers.

[Ministry of Agriculture, (Department of Agriculture & Cooperation),
O.M. No. 6-15/84-MD Dated 16-11-1984]

Recommendation (Serial No.15) in Appendix Para 2.23

The Committee find that as against 5 lakh village in the country, there are only 1.33 lakh retail outlets for distribution of fertilisers i.e one sale points for 4 to 5 villages. During evidence the Secretary, Ministry

of Agriculture admitted that while numerically the number of retail outlets might appear to be adequate, there was need to disperse these sale points in the interior to serve the people living in backward areas. The Committee Stress the need to strengthen the distribution system in dry-land areas, interior areas, backward areas and hilly areas to ensure timely and adequate availability of fertilisers to farmers living in such areas. The Committee were given to understand that in Maharashtra there is system of giving incentive to dealers who open their sale points in the interior areas. If that system has proved successful there, Government would do well to commend that system to other State Governments.

Reply of Government

The scheme of giving incentives to dealers who open their sale points in the interior areas introduced by the Maharashtra Government has been found useful by them and the same has been recommended by this Ministry to other States/UTs for implementation.

[Ministry of Agriculture, (Department of Agri. & Coopn.) O.M. No. 6-15/84-MD Dated : 16-11-1984.]

Recommendation (Serial No. 16, Para 2.31)

The Committee find that of the total quantity of fertilisers distributed in the country, the percentage moved by rail has declined from 83.7 percent in 1977-78 to 62.9 per cent in 1982-83. In physical terms the fertilisers traffic moved by rail has remained almost static around 8.1 to 8.5 million tonnes with the exception of 1981-82 when it rose to 9.5 million tonnes. Greater reliance on transport of fertiliser by road which is costlier, could have been one of the reasons for the considerable increase in expenditure incurred by the Ministry of Chemicals & Fertilisers on payment of equated freight for marketing of fertilisers which leapt from Rs. 42.33 Crores in 1979-80 to as much as Rs.242.97 crores in 1982-83. The decline in the percentage moved by rail has been attributed to (i) 100 per cent hike in railway freight during recent years ; (ii) Railways' policy switch over from movement of fertilisers piecemeal to predominantly block rake movement pattern from 1981 ; (iii) Railways' insistence on manufacturers opening transshipment dumps and (iv) drop in imports. The Committee were assured in evidence that considering the difficulties being faced by the fertiliser industry, the Ministry of Railways had already agreed in principle to offer piecemeal wagons or allow the fertiliser industry to load rakes for two to three destinations. The Committee would like the Ministry of Chemicals & Fertilisers to see to it that the fertiliser industry takes advantage of the offer of the Railways and ties up their specific needs for wagons with the concerned Zonal Railways.

Reply of Government

Ministry of Agriculture have taken note of the recommendation/ observations. Fertiliser Industry have been advised to take full advantage of the availability of piecemeal wagons to maximise movement of fertiliser by rail. However, it may be stated that on account of the fact that the number of handlings in all road movement and consequent less transit losses some factories resort to movement by road rather than by rail for despatch of their products over distances upto 500 kms. or even more. Another factor responsible for an increase in road traffic is the non-payment of transport subsidy for the secondary movement of SSP fertilisers which constitute roughly 20% share of all the fertilisers produced in the country. Whereas primary as well as secondary movements are eligible for transport subsidy in case of urea and complex fertilisers it is not so in the case of SSP fertilisers which is entitled to subsidy for the primary movement only.

Also there are occasions, particularly, during the monsoon season when restrictions are imposed on rail movement due to floods, breaches, etc. In such cases road movement becomes inescapable. Then there are areas like Kandla, Bhavnagar, Hapa etc where wagon availability is less than the requirement rendering road movement unavoidable.

[Ministry of Agriculture, (Department of Agri. & Coopn.) O.M. No.6-15/
84-MD Dated : 16-11-1984]

Recommendation (Serial No. 18, Para 2.41)

The Secretary, Ministry of Agriculture pleaded in evidence that as the enforcement of the Fertiliser (Control) Order is the responsibility of the State Governments "We can help them, cajole them and ask them to enforce the Law more strictly". He pointed out that the Central Government has been sending their own Inspectors on surprise checks. For example, during 1982-83, in 8 districts of U.P. where surprise check was carried out, 22 out of 61 samples were found non-standard. In the subsequent years i.e. 1983-84 in surprise checks conducted in U.P. by the Central Fertiliser Squad 22 out of 56 samples collected were found to be non-standard. However, in Haryana only 4 out of 28 samples were found non-standard. The Committee recommend that the State Govts. should be advised to strengthen and tighten their control on the distribution net work to ensure availability of fertilisers of requisite quality at fixed prices. If the existing number of Inspectors (reported to be 580 full time and 11337 part time) is inadequate to cope with this task, their strength should be suitably increased as early as possible with assistance provided by the Central Government.

Reply of Government

The responsibility for implementation of the Fertiliser (Control) Order rests fully with the State Governments. The Central Government only

monitor the implementation of quality control measures being taken by the State Governments by obtaining reports or through Central Teams being sent to States periodically. The State Governments are constantly advised to strengthen the weak areas in quality control set up so as to ensure the effective check on the quality of fertilisers being manufactured/distributed in respective States. In view of the important observation of the Committee, a renewed emphasis is being given on the necessity of creating adequate inspection staff and the recommendations of the Committee have been conveyed to the State Governments for compliance. However, the nature of recommendation is such that no time frame could be laid down for this purpose, since the programme of strengthening of the infrastructure of quality control organisation has to be on a continued basis subject to availability of resources of the Central and the State Governments.

With a view to provide Central Assistance to the State Governments, it is proposed to take up Centrally sponsored/Central Sector Scheme for assisting the States in strengthening their quality control infrastructure including the appointment of full time inspectors. The creation of appropriate scheme, has, however, to be examined by the concerned Ministries like Finance and the Planning Commission as per the prevailing system for approving the Plan Scheme.

[Ministry of Agriculture, (Deptt. of Agri. & Coopn.) O.M. No.6-15/84-MD
Dated : 16-11-1984.]

Recommendation (Serial No. 19, Para 2.51)

The Committee are unable to appreciate how FCI could accumulate nearly 13 lakh tonnes of 2 to 5 years old stocks of imported fertiliser which had to be disposed of at prices reduced to the extent of 7.5 per cent with a further rebate of 10 per cent. They feel that such a situation could not have developed unless the imports and distribution were not properly synchronized over a period. They recommended that the position should be examined in depth to ascertain the reasons for the accumulation of stocks of imported fertilisers with the FCI, fix responsibility for lapses at various level, if any, and suggest improvement in the system and procedures in this behalf to prevent recurrence of such unpleasant and costly situation.

Reply of Government

The fertiliser requirements, of the country are met from indigenous production and imports. The import requirements are worked out for a year after taking into account the consumption requirements and the estimated indigenous production and the available opening stocks of both indigenous and imported fertilisers at the commencement of each year. The actual imports are closely monitored keeping in view prevailing trends of consumption.

The consumption of fertilisers depends upon a number of variables, the main ones being the weather and prices. Also the import have to be planned in advance so that no shortage of this vital input is felt at the time of sudden spurt in consumption. Further adequate availability of fertilisers to the farmers is one of the prime factors contributing towards increased consumption and consequent increase in agricultural production. It is, therefore, necessary not only to provide for the more consumption requirements but also to keep provision for pipeline and carry-over stocks. Imports are accordingly planned ensuring on the one hand that only essential quantities are imported and on the other there is adequate availability of fertilisers for use by the farmers.

From the position indicated below it will be seen that the opening stocks constituted only 10.4 percent to 19.2 percent of the total consumption during the last five year :—

Year	Consumption	Opening pool stocks (in terms of nutrients)	% of opening stocks to total consumption during the year
1979-80	52.55	5.49	10.4%
1980-81	55.16	5.74	10.4%
1981-82	60.64	6.58	10.8%
1982-83	63.68	12.29	19.2%
1983-84	77.92	11.10	14.3%
(Estimated)			

The above stocks at the beginning of the season were quite reasonable.

In so far as accumulation of stocks with one agency viz. Food Corporation of India is concerned, it may be stated that prior to May, 1978, the Food Corporation of India was the only agency for the handling, distribution and buffer stocking of imported non-potassic fertilisers in the country. From May, 1978 in addition to the FCI, Indian potash Limited and 4 other agencies which were also indigenous manufacturers were inducted into the field. While till the middle of 1982 FCI was selling imported fertilisers only through the institutional agencies of the States and had no marketing network of their own for the sale of these fertilisers thus depending entirely upon States allotment the other new agencies had their own well-knit marketing net-work. Further, the steep increase in prices

of fertilisers during 1980-81 and 1981-82 by about 62% and also the unfavourable weather condition affected the growth rate in consumption of fertiliser and result in build up of stocks.

In order to reduce the inventory carrying cost on the stocks of Urea and DAP held by FCI for more than 2 years, the Government of India took a conscious decision to give 10% reduction in prices of these fertilisers in addition to 7½% general price reduction w.e.f. 29th June, 1983. Another step taken in this direction was that no vessel of imported fertilisers was allotted to the Food Corporation of India from the fresh arrivals from December, 1982 to June, 1984. These steps have helped in considerably reducing the stocks of fertilisers lying with the FCI. It has also resulted in a saving of Rs. 150 crores to the national exchequer over a period of 5 years, out of which Rs.30 crores have been passed on to the farmers.

[Ministry of Agriculture (Department of Agri. & Coopn.) O.M. No. 6-15/84-MD Dated : 16-11-1984]

Recommendation (Serial No 23, Para 3-22)

The Committee cannot look with equanimity the fact that Central Government had not been meeting in full the requests of State Governments for short term loans for purchase and distribution of agricultural inputs including fertilisers. Between the years 1979-80 to 1982-83 the percentage shortfall in meeting the States requirements ranged between 36 to 45%. The Committee have been informed that these shortfalls were due to "inadequate availability of funds". The Committee emphasise the need for a larger allocation for this purpose so that it may be possible to accommodate the needs of State Governments for such loans to a larger extent than what has been possible in the past.

Reply of Government

The assistance to the State Governments is generally limited to the extent of 50% of the cost of fertilisers obtained from Central Pool and for Seeds and Pesticides. The requirements of loans assistance from the States has been on the increase mainly because of the revision of the production targets. It is met by and large, subject to the constraints of budgetary resources. The current year's budget provision of Rs. 200 crores on this account already stands augmented by the supplementary appropriation of Rs. 60 crores, obtained in the first batch of supplementary demands for grants. The recommendations of the Estimates Committee have been noted.

[Ministry of Agriculture (Department of Agriculture & Cooperation) O.M. No. 6-15/84-MD dated 16.11.1984.]

Recommendation (Serial No. 24, Para 2-26)

The Committee are concerned to find that during the last 5 years (1978-79 to 1982-83), the quantum of credit made available to farmers by cooperatives and commercial banks together was only about 25 to 36 per cent of the value of fertilisers purchased by farmers. The Committee suggests that the credit facilities should be increased. Further, NABARD considers the fertiliser stocking by MARKFED and Cooperative Societies as a trading activity and has therefore kept a higher rate of interest for this activity. A non-official has urged that "this activity should be termed as activity akin to agricultural operation so that concessional refinance from the NABARD to the farmers through the three tier cooperative credit structure could be made available". The Committee feel that this suggestion deserves sympathetic consideration.

Reply of Government

There has been steady growth of institutional credit for agricultural operations. The crop loan provided by the cooperative institutions at the primary level has increased from Rs. 1357.67 crores during 1979-80 to Rs. 1942.44 crores during 1982-83 and is estimated to have gone up to Rs. 2200 crores during 1983-84. Similarly, the crop loan provided by the Commercial Banks for agricultural operations has gone up from Rs. 253.84 crores during 1976-77 to Rs. 517.02 crores during 1980-81. However, the present level of loaning for agricultural operations is not sufficient to meet the credit requirements of farmers. Therefore, as recommended by the Estimates Committee, efforts are being made to increase the flow of credit. The Task Force on Agricultural Credit constituted for the preparation of Seventh Plan proposals has fixed a target of Rs. 8695 crores during the terminal year of Seventh Plan as against Rs. 4000 crores fixed for the terminal year of the Sixth Plan.

According to the crop loan system introduced by Reserve Bank of India and now followed by National Bank for Agriculture and Rural Development, short-term credit requirements for agricultural operations are assessed, sanctioned and disbursed in cash and kind in the form of fertilisers, pesticides, seeds etc. But there is no insistence on the kind component being taken, as a precondition for the drawal of cash component, as experience has demonstrated that denial of credit in cash as a means of compelling the cultivators to lift kind component is not in the interest of agricultural production. However, it is seen that in States like Punjab where consumption of fertiliser is very high, kind component is as high as 60-70% whereas in some other States where the consumption is low kind component is only about 20-30% of the crop loans disbursed. Now, on the basis of the recommendation made by Estimates Committee, all State Governments have been requested to instruct the cooperatives to take measures to increase the kind component. They have been specifically asked to advise

the Technical Committees constituted at district level for the fixation of scale of finance of different crops to revise the scale of finance suitably taking into account the nature of crops, cost of fertilisers etc. State Governments have also been requested to make suitable arrangements at the village level for stocking and distribution of adequate fertilisers so as to encourage the borrowers of crop loans to lift the kind component also.

Ministry of Agriculture was pleading with the Reserve Bank of India in the past for reduction of interest on credit provided for marketing and distribution of fertilisers treating these activities as part of development activities for agricultural production programmes. The response was not favourable. Now, as recommended by the Estimates Committee, the matter has been taken up with the Reserve Bank of India and National Bank for Agriculture and Rural Development for favourable consideration and it will be pursued with them with a view to reducing the rate of interest on marketing and distribution credit for fertilisers treating these activities as part of agricultural development activities.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15-84—MD dated 16.11.1984.]

Recommendation (Serial No. 25, Para 4.10)

The Committee are surprised to find that the 37 Fertiliser Quality Control Laboratories (including the Centrel Fertiliser Control Laboratory at Faridabad) are not working to their optimum capacity. The total annual analysing capacity of these laboratories is 57,770 samples. In 1982-83, these laboratories tested only 38,000 samples. 34 per cent of their analysing capacity thus remain idle. There are 1.33 lakh fertiliser retail outlets in the country and even if only two samples are taken from each retail outlet, total number of samples should be around 2.6 lakhs. This clearly shows that the number of samples taken is not at all commensurate with the quantum of fertilisers consumed in the country. The Committee recommend that Government should take a serious note of the laxity in collecting samples which has led to gross under utilisation of capacity of existing Fertiliser Quality Control laboratories and take measures to optimise the capacity utilisation, simultaneously taking steps to augment the capacity.

Reply of Government

The recommendation of the Committee has been conveyed to the State Governments for improving the utilisation of available analysing capacity created in the States. It has also been impressed upon the States to strengthen their enforcement wing so that larger number of samples are collected. They have been requested to take necessary steps to ensure fuller utilisation of the capacity of the fertiliser control laboratories, apart from keeping an adequate check on the quality of fertilisers being

distributed. The follow-up action taken by them in this regard is being monitored on a continued basis.

Besides the proposed Centrally Sponsored/Central Sector Scheme which is intended to be initiated in the Seventh Five Year Plan, will provide required support to the States in strengthening their sample collecting agencies (enforcement agency) as well as the analysing capacity of their laboratories.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15/84-MD dated 16.11.1984.]

Recommendation (Serial No. 26, Para 4.11)

What has surprised the Committee more is that inspite of the fact that the Fertiliser Quality Control Laboratories are not working to their full capacity, they take unduly long time in making available the results of their testing. While conceding this point, the Secretary, Ministry of Agriculture, revealed that "most of the complaints about delay have arisen from Punjab."

The Committee were given to understand in evidence that in order to avoid such delays Government was thinking of amending the Fertiliser Control Order to make it obligatory on the part of the State Government to make the analysis result available within a fixed period. The Committee trust that the Fertiliser Control Order would be amended soon.

Reply of Government

The proposal to fix a time limit for analysis of fertiliser samples is being processed along with other amendment proposals in the Fertiliser (Control) order, 1957. It is proposed to carry out all these amendments shortly.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15/84-MD dated 16.11.1984.]

Recommendation (Serial No. 27, Para 4.12)

As it is, there are 5 laboratories in Andhra, 4 in Tamil Nadu, 3 in Uttar Pradesh, 2 each in Gujarat, Jammu & Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, West Bengal and 1 each in Assam, Bihar, Himachal Pradesh, Haryana, Punjab and Pondicherry. Since the Fertiliser Quality Control Laboratories were set up at different points of time, it is not unlikely that some States have got more laboratories than they need and the other States have less. The Committee recommend

that if there is any imbalance in location of these laboratories with reference to fertiliser consumption it should be rectified.

Reply of Government

The Enforcement of the Fertiliser (Control) Order fully rests with the State Governments. The States have established the fertiliser quality control laboratories and appointed quality control inspectors so that the samples collected for checking the quality of fertilisers could be tested within their States. The Government is aware of the fact that even in some of those States where fertiliser consumption is quite large do not have adequate fertiliser testing capacity. It is periodically being impressed upon such States to create additional fertiliser testing facilities and to appoint adequate number of quality control inspectors so that the inspection and quality testing is effective in monitoring the quality of fertilisers being distributed in such States.

This important recommendation of the Committee has been conveyed to the States Governments for compliance with a renewed emphasis on the need of creation/establishment of adequate quality control facilities. However, in the proposed Centrally Sponsored/Central Sector Scheme, the States where additional testing facilities are required to be created, will be given due consideration for Central assistance. The creation of a Centrally Sponsored/Central Sector Scheme will, however, require the clearance of the well established Government channels like Ministry of Finance and the Planning Commission. The Ministry of Agriculture will continue to pursue the recommendation with the States.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15/84-MD dated 16.11.1984.]

Recommendation (Serial No. 28, Para 4-18)

From the data furnished by the Ministry of Agriculture, the Committee find that there is a network of 364 soil testing laboratories including mobile soil testing vans with an annual capacity of testing 5.64 million samples of soil against a total of 815 million operational land holdings. In 1981-82 these laboratories had tested only 4.12 million samples. While laboratories in some of the States had been working in excess of their capacity (Delhi 158 per cent, Uttar Pradesh 113 per cent, Gujarat 101 per cent), the laboratories in the States of Jammu & Kashmir, Orissa, West Bengal, Mizoram, Meghalaya, Tripura and Arunachal Pradesh had been working below 50% of their capacity. The Secretary, Ministry of Agriculture attributed this under-utilisation of capacity to breakdown of

equipment, power failure, absence of qualified technicians and frequent transfers of staff. He conceded that "the soil testing programme is inadequate and needs to be augmented". The Committee feel that keeping in view the number of operational land holdings in the country, the soil testing capacity set up so far is inadequate. However, as even the existing capacity is not being utilised fully, the Committee would like Government to take steps to intensify the soil testing programme.

Reply of Government

In pursuance to the Estimates Committee recommendations to intensify the soil testing programme keeping in view the number of operational land holdings, in the States, the inadequacy of the number and installed capacity of soil testing laboratories was pointed out to the concerned Agricultural production Commissioners. It was pointed out that soil testing is the only reliable tool for advising the farmers on the judicious, economic and balanced use of fertilisers. In the context of high prices of fertilisers, it was emphasised that the farmers need to be given advice on the efficient balanced and economic use of fertilisers. They were once again requested to take necessary steps for setting up a minimum of one soil testing laboratory in each District. Government of Jammu & Kashmir, Himachal Pradesh, Gujarat, Orissa, Bihar, West Bengal, Sikkim, Uttar Pradesh and Kerala have informed that necessary follow up action on the letter Government of India was being taken to provide at least one laboratory in each District. The Government of pondicherry have informed that they have already provided one soil testing laboratory for each district. The Government of Tamil Nadu have informed that proposals were under consideration in the Government of Tamil Nadu to establish one more soil testing laboratory in each district except Nilgiris, Kanyakumari and Ramanathapuram, with additional capacity of 4.68 lakh soil samples per annum, during the Seventh Five Year Plan.

Recognising, however, need for strengthening of the soil testing infrastructure, the Government of India have even otherwise been laying great emphasis on the strengthening of the soil testing facilities in the country. As a result the number of soil testing laboratories and their capacity have been going up from year to year, as would be evident from the followings :

	1982-83	1983-84	1984-85
No. of soil testing laboratories.	341	386	402
Capacity (soil samples per annum).	5.29 millions	5.64 millions	5.75 millions

It was observed that performance of the soil testing laboratories in the Eastern region was extremely unsatisfactory and in many cases, they were working at less than 50% of their capacity. With a view to ensure fuller utilisation of the capacity, a Workshop on Soil Testing for the Eastern region States was organised on 18th and 19th June, 1984 at Bhubaneswar. The Workshop has recommended that the Eastern region States should provide to the laboratories a stand-by generator to press into service at times of power failure. It was also emphasised that frequent transfer of laboratory staff should be avoided and one lead laboratory for providing technical guidance to other district laboratories may be set up in each State. Emphasis was also laid on regular training programme of the soil testing workers. With a view to monitor the functioning of the laboratories in the Eastern region States on a regular basis, the States were requested to furnish monthly progress report instead of these prescribed on a quarterly basis.

It is, however, pointed out that no time frame could be laid down for completion of action with respect to this recommendation in its entirety since the strengthening of soil testing infrastructure would, by its very nature, have to be a continuous process. The Government of India are fully aware of the need for strengthening the infrastructure and capacity utilisation of the soil testing laboratories and efforts in this regard would be kept up.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15/84-MD dated 16.11.1984]

Recommendation (Serial No. 29, Para 4.19)

The Committee further recommend that, as assured in evidence, Lead Soil Testing Laboratories may be established in each State soon to coordinate the functioning of the Soil Testing Laboratories in the State, to provide technical support to them, to ensure their capacity utilisation, to check the quality of their work and to examine and make recommendations in regard to the adequacy of the existing laboratories. If State Governments are not in a position to finance these Lead Laboratories, a Centrally Sponsored or assisted Scheme may be drawn up in this behalf.

Reply of Government

The State Governments have been requested to establish one Lead Soil Testing Laboratory for the purpose of coordinating, monitoring, arranging for training workers and ensuring the proper implementation of soil testing programme. Gujarat, Himachal Pradesh and Bihar Governments have

informed that they have already established Lead Testing Laboratories. Maharashtra, Sikkim and Uttar Pradesh have intimated that they would establish the same during the 7th Five Year Plan. The Central Government have already been exploring the possibilities of strengthening the efforts of the State Governments through Centrally Sponsored Scheme in this regard.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15/84-MD dated 16-11-1984]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Serial No. 9, Para 2.7)

The Committee recall that during the period 1944 (when Central Fertilizer Pool was set up by Government) to December 1965, the available indigenous nitrogenous fertilizers, after being acquired from the domestic manufacturers by paying them a retention price, used to be pooled with the imported fertilizers and sold at a uniform price throughout the country. However, the complex fertilisers, super phosphate and ammonium chloride produced indigenously at the time were marketed by the manufacturers themselves through private dealers and cooperatives. In December, 1965 a new system under which indigenous manufacturers of fertilizers were given freedom to sell their products through agencies of their choice and at a price to be determined by them was introduced. Government retained the right to take up for its own distribution 30 percent of the factories production at prices to be negotiated with the factories. Later, in the wake of shortage of fertilizers that occurred in 1971-72 and complaints of non-availability of fertilizers, over charging and other malpractices a radical change in the system of distribution of fertilizers was effected. Government brought the distribution of fertilizer by domestic manufacturers under the control of the Essential Commodities Act with a view to ensuring an equitable and timely distribution at a reasonable price. Now, that this system has remained in operation for more than 10 years, the Committee recommend that Government should, in consultation with the State Governments/Union Territory Administrations/Commodity Boards, critically evaluate the system to find out how far it has been helpful in achieving the objectives underlying the Government's distribution policy and what further improvement can be made in the system to make it more efficacious.

Reply of Government

The present fertilizer distribution policy of the Government is basically directed towards supply of fertilizers to all parts of the country on a uniform price within the reach of the farming community at large. It also aims at

removing inter-State and intra-State imbalance in fertilizer use and promotion of fertilizers in areas which have not taken to its use to a significant extent. For this purpose, before the onset of rabi and kharif seasons, fertilizer Conferences are organised by the Government of India, with the manufacturers and the State Governments, wherein supply plan of fertilizers is finalised, as per the projections of production during the season by different factories and the agronomic needs finalised for each State. The gap in availability of fertilizers through indigenous sources and the needs of the States is bridged through suitable allocations of imported fertilizers from the pool. The needs of the States are finalised keeping in view the recommended dosages of consumption of fertilizers in each State for different crops with areas converted into standard hectares, requirements projected by the States or certain percentage allowed over the previous best consumption season, whichever is least. With a view to provide incentive to the low consumption States to boost up the consumption of fertilizers, higher percentage is allowed. The Government of India bears the cost of transportation of fertilizers upto the block-head point with a view to ensure its availability upto the interior areas. Under the retention price scheme, in order to make the fertilizers available on a uniform basis and at reasonable prices throughout the country, the Government of India have been extending heavy subsidies to the fertilizer companies to bridge the gap in their cost of production and the realisation through sales. Even with respect to imported fertilizers the difference between the realisation on sale of pool fertilizers and the cost incurred on its import and handling is met by Government of India as subsidy.

It would thus be obvious that the present system has by and large been able to achieve the objectives of making available fertilisers at uniform prices as per the needs of the different agronomic regions. However, as per the recommendation of the Estimates Committee, the suggestions of the State Governments for improvement in the system or its modifications were solicited. Almost all the State Governments and the Union Territories and the Commodity Boards, whose replies have been received have endorsed the view that the existing system has been working well in achieving its objectives and therefore, would need no modification. A few States have made some general suggestions that the criss-cross movement of fertilizers should be reduced, that the suppliers should stock sufficient quantities of fertilizers in their godowns, that fertilizers should be sold at fixed prices, that the manufacturers should make supplies of fertilizers directly to the retail dealers and that the price of A.S. and C.A.N. should be regulated. It is, in this connection pointed out that while finalising the supply plan of fertilizers under the Essential Commodities Act before the on-set of kharif and rabi seasons each year, every effort is made to avoid criss-cross movement. To achieve this purpose, sometimes allocations are given on product-exchange basis between two manufacturers. In order to reduce cost in certain cases, allocations for

certain States are specifically made for particular districts within a States which are in proximity with the Fertiliser factories. It has also been the policy of the Government of India to encourage manufacturers and persuade them to keep sufficient quantities of the fertilisers in their field godowns so as to meet the needs of the local areas on adequate basis. In addition to the stocks held by the manufacturers, stocks are also held by the pool handling agencies and the institutional agencies in the States. As already explained, the prices of fertilizers are under statutory control and are uniform with respect to each variety for the entire country. Only local taxes may differ from State to State. As regards AS and CAN, these two varieties of fertilizers have also been brought under statutory control recently. It would, however, not be desirable to ask the manufacturers to make supplies directly to the retail dealers by cutting the whole salers altogether. The institutional agencies of the State Governments have been charged with the responsibility of stocking fertilizers in adequate quantities before commencement of each season and to make it available through their retail agencies even upto remotest areas. The manufacturers in addition to the pool handling agencies, have been enjoined to supply fertilisers to these institutions also. It may not therefore, be possible to cut down wholesale dealership of these and other agencies which go a long way in stocking and handling fertilizers in adequate quantities, as per needs of different areas. In absence of these institutional and wholesale agencies, it may be difficult to ensure adequate availability of fertilizers in a State.

It would thus be obvious that by and large the present system has been greatly helpful in achieving objectives underlying the Government's distribution policy and does not require any modifications. The States have also recommended no change in the present distribution system.

[Ministry of Agriculture (Deptt. of Agriculture & Cooperation)
O.M. No. 6-15/85 (MD) Dated : 16.11.1984]

Recommendation (Serial No. 10, Para 2.8)

At present fertilizers are being sold at uniform prices throughout the country and the equated freight is built in these prices. The Committee were given to understand in evidence that Marathe Committee (1977) and Pande Committee (1980) have suggested that the freight equalisation scheme for fertilizers should be phased out over a period of time. The Committee trust that Government will give most careful consideration to the proposal, for phasing out the freight equalisation scheme in respect of fertiliser keeping in view the interest of the farmer in the remotest part of the country. So long as the equalisation of freight has to be continued, it should be ensured that there is rational movement of fertilizer and the transport cost is kept at the minimum.

Reply of Government

The prices of fertilizers are statutorily controlled and are uniform throughout the country. Prior to November, 1977 the nitrogenous fertilizers had the freight element built into consumer prices. Each factory was recovering a fixed amount of freight from the consumer Rs. 38 per tonne in case of Urea and Rs. 40 per tonne in case of Ammonium Sulphate and Calcium Ammonium Nitrate. The present system of equated freight introduced w.e.f. 1st November 1977 is based on the recommendations of the Marathe Committee (1977). With the introduction of the present system of equated freight as recommended by the Marathe Committee, a separate equated freight is fixed for each manufacturer and based on this rate, freight subsidy appropriate to each factory is being given. In respect of imported fertilizers, the handling agents are given different rates of remuneration for handling the shipments which are received at the various ports which includes the cost of freight based on the ports of receipt and the States to which these are distributed by the handling agents. The 'Freight Equalisation Scheme' is not in vogue in case of fertilisers.

Since the prices are uniform throughout the country, the existing system is in fact in the interest of farmers in the remotest parts of the country. Any system in which only a fixed ex-factory price is fixed satutorily leaving the manufacturer to sell the fertilisers at ex-factory price plus cost of freight would lead to a situation where different prices of fertilisers would be in vogue not only in different parts of the country but in the same place depending upon the source of supply of the fertilizers. Apart from this, this would be against the interest of farmers in the remotest parts of the country who may have to bear the heaviest freight burden in view of their location. Therefore, the existing system is in the interest of the farmers and also in the interest of the incentives required for promoting larger use of fertilizers resulting in greater production.

Since the scheme involves outgo of subsidy from the Government funds, the distribution and movement of fertilizers is controlled by Ministry of Agriculture through allocation of the fertilizers from different factories/ ports under the Essential Commodities Act. Periodical meetings are held between the Ministry of Railways, Ministry of Agriculture and the Ministry of Chemicals and Fertilizers to ensure that there is a rational movement of fertilizers and the transport costs are kept to the minimum.

[Ministry of Agriculture (Department of Agriculture & Cooperation)
O.M. No. 6-15/84 (MD) Dated : 16.11.1984]

Recommendation (Serial No 17, Para 2.41)

The Committee are perturbed to find that despite the fact that the Fertiliser (Control) Order, 1957 contains comprehensive regulatory measures which provide for registration of fertiliser dealers, ensuring the standard of quality, packaging of fertilisers, display of prices and daily stocks, malpractices like black marketing and sale of sub-standard and adulterated fertilisers are rampant. Ministry of Agriculture have reported that during the last 5 years (1978-82), as many as 177 cases of black marketing and 11986 cases of sub-standard/adulterated fertilisers were detected. Prosecution was launched in 822 cases, action was taken under the control order in 6170 cases and "Other" action was taken in 1143 cases. It transpired in evidence that a revised Fertiliser (Control) Order is likely to be issued shortly in consultation with the Ministry of Law. The Committee feel that if the existing Fertiliser (Control) Order, 1957 has failed to check such malpractices in the fertiliser trade, the proposed revised Control Order should provide for a stricter control and more stringent penalties.

Reply of Government

The Fertiliser (Control) Order, 1957 has been subjected to a comprehensive review. It has been felt that the penalties provided for violations of this Order are adequate. The registration certificate of an offending dealer can be suspended/cancelled. His stocks of fertilisers can be detained/seized/confiscated. Any person violating any provision of the Fertiliser (Control) Order, 1957 can also be prosecuted under the Essential Commodities Act, 1955. Under this Act a maximum penalty of 7 years imprisonment and/or fine exists. The Fertiliser (Control) Order, 1957 has been declared a Special Order for the summary trial of offenders. This enables summary trial of offenders. If in a summary trial, the sentence passed is upto one month imprisonment and fine upto Rs. 2000.00, then no further appeal lies against it.

However, a number of provisions of the Fertiliser (Control) Order, 1957 are being updated/modified to make the quality control measures more stringent and its implementation more effective. The proposed modifications are expected to be carried out shortly.

[Ministry of Agriculture, (Deptt. of Agri. & Coopn.) O.M. No. 6-15/84-MD Dated : 16-11-1984.]

Recommendation (Serial No. 20, Para 3.14)

The Committee note that a Central Fertiliser Pool was set up as back as in 1944 for procurement and distribution of indigenous and imported fertilisers. The financial support for the operation of this Pool is provided

under non-plan schemes. The Committee find that though during the last 5 years (1978-83) the revenue of this Pool had always fell short of its expenditure the percentage shortfall has come down from 33.0 in 1979-80 to 10.3 in 1982-83. The Committee feel that there is scope for economy in the cost of the operations.

Reply of Government

The shortfall in Revenue Receipts of the Central Fertiliser Pool is the element of indirect subsidy. It can also be termed as Budgetary Gan i.e. difference between the Expenditure incurred by the Government for import, shipment, handling at ports, transportation, warehousing etc. and the sales realisation on the basis of statutorily controlled prices minus distribution margin. This subsidy is inbuilt while fixing the price of Imported Fertilisers. Efforts are continuously being made to keep the subsidy to the minimum extent possible keeping in view the interest of the farmers and accordingly the Budget of Central Fertiliser Pool is being projected.

To examine the expenses on handling charges of Imported Fertilisers an Evaluation group has been appointed by the Ministry of Agriculture with a view to find out areas where economy could be introduced.

[Ministry of Agriculture, (Deptt. of Agri. & Coopn.) O.M. No. 6-15/
84-MD Dated : 16-11-1984.]

Recommendation (Serial No. 21, Para 3.15)

The Committee find that before 15 August, 1981 distribution margin was allowed to cooperatives at the rate of Rs. 115 per tonne of Urea and to others at Rs. 105 per tonne of Urea. From 15 August, 1981 the margin was raised on ad-hoc basis from Rs. 115 to Rs. 140 per tonne for the cooperatives and from Rs. 105 to Rs. 120 per tonne for others. On 20 May, 1983 this margin was again raised to Rs. 150 per tonne for Cooperatives and Rs. 130 per tonne for other sectors. The last increase was based on the Report (April, 1982) of the Fertiliser Planning and Development (India) Ltd. The Committee would like Government to consider how far it is practicable that instead of fixing the distribution margin as a fixed sum per tonne, it may be in terms of a fixed percentage on sales. This would obviate the need for frequent revision of distribution margin. If, however, this is not possible, it should be ensured that there should be prompt revision at periodic intervals say once a year having regard to all factors.

Reply of Government

The above recommendation of the Estimates Committee has been examined by the Government. Fixing of the margin at a percentage of sale has not been found practicable as in the case of commodities whose prices are under statutory control and, therefore, are insulated from the market forces, the value of sale does not take into account all the market forces which are required to be considered for fixing the margin. Apart from the sale value, the rate of interest, the cost of storage, cost of transport, cost of labour for loading and unloading, etc. which are reflected in the form of change in the wholesale and retail indices are also relevant for fixing the margin. It has also been found that a definite periodicity for review of distribution margin is also not possible as the anticipation of change in the margin is likely to create instability in the market. Taking into account the recommendation of the Committee, the Government have decided to review the margin at the time of or soon after any change in the price of fertiliser is notified. On such occasions, all aspects including the change in the price will be taken into account and any change in the margin that may be found necessary on the basis of such review, will be given effect to.

[Ministry of Agriculture (Department of Agri. & Coopn.) O.M.
No 6-15/84-MD Dated : 16-11-1984.]

Recommendation (Serial No. 22, Para 3.16)

The Committee find that the retail prices of fertilisers per 100 kg. of plant nutrient that the farmers in India have to pay the highest as compared to what their counterparts paid in other countries viz. Egypt, Bangladesh, Republic of Korea, Pakistan, Denmark, France and U.K. Despite the fact that droughts of 1979-80 and 1982-83 had eroded the paying capacity of farmers in India, Government increased the prices of fertilisers to the extent of 35 per cent in June, 1980 followed by another hike of 18 per cent in July, 1981. The Ministry of Agriculture have pleaded that 1981 increase was effected in the light of the Cabinet decision to peg the fertiliser subsidy at the same level as in 1980-81. It has been pointed out to the Committee that the price of Gas has gone up from Rs. 330/-per thousand cubic metre in 1981-82 to Rs. 2170.00 and that of Naphtha from Rs. 650/-per tonne in 1979-80 to Rs. 1450.00 per tonne in 1981-82. Whatever may be the justification of these two hikes, the result was that the growth rate of fertiliser consumption which in 1978-79 was 19.4 per cent slumped to 5.8 per cent in 1982-83. Government, had, therefore, to reduce the fertiliser price by 7.5 per cent in June, 1983. The Committee emphasise that the fertiliser price should be such as the small farmer can afford. Special discount in

prices may be allowed for specified category of purchasers during the post drought period to enable the farmers to make the best use of credit facilities made available to them.

Reply of Government

The substantive part of the recommendation of the Estimates Committee is:

- i) that the fertiliser prices should be such as the small farmers can afford ; and
- ii) special discount in prices may be allowed for specified category of purchasers during the post drought period to enable the farmers to make the best use of the credit facilities made available to them.

2. As far as the general prices of fertilisers are concerned, they are uniform for all categories of purchasers for agricultural purposes throughout the country. During the evidence (refer para 3.11) it has already been made clear that the dual pricing in fertiliser would lead to a lot of malpractices in Rural Sector and has, therefore, been ruled out. The question is one of identifying the specified categories of purchasers and giving them the relief required. The Government of India have two schemes under which certain facilities are given to small and marginal farmers as well as Scheduled Castes and Scheduled Tribes farmers. As far as fertilisers are concerned, the position is as follows :

- i) Under the centrally sponsored schemes of assistance to small and marginal farmers for increasing the agricultural production, mini-kits containing seeds for oilseeds and pulses alongwith fertilisers are distributed by the States and Union Territories free of cost. The kits contain adequate seeds and fertilisers to cover 0.2 hectares of cultivated land.
- ii) Under the Integrated Rural Development Programme the small and marginal farmers are entitled to avail subsidy @ 25% and 33½ % respectively for the purchase of phosphatic and potassic fertilisers. The rate of subsidy for small and marginal farmers belonging to Scheduled Tribes is 50 per cent. The Integrated Rural Development Programme is in operation in all the Development Blocks of the country.

3. As far as post drought relief is concerned, every State Government has got margin money in their annual budget to meet the expenditure

necessitated by the natural calamity. If the seriousness of the drought calls for expenditure which may be beyond the means of the State in a particular year, the concerned State Government may seek Central assistance by forwarding a memorandum prescribed for the purpose. The Central assistance provided under such circumstances according to the existing revised norms covers agricultural inputs subsidy to the States to the extent of Rs. 165 per hectare to small and marginal farmers and cultivators belonging to Scheduled Castes/Scheduled Tribes. This assistance has a component for seeds, fertilisers and pesticides.

Thus the requirement of the small farmers is being met through the various schemes of the Central Government.

[Ministry of Agriculture (Department of Agriculture and Cooperation)
O.M. No. 6-15/84-MD dated 16.11.1984.]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 3, Para 1.16)

The Ministry of Agriculture have claimed that India's 67 per cent capacity utilisation of fertiliser plants in public and cooperative sectors, compares favourably with the capacity utilisation of developing countries which was 51 per cent in Africa/Latin America and 65 per cent in Asia, and World's average utilisation of 71 per cent (in 1980-81). However, satisfactory this comparison may look the fact is that during the last 3 years (1980-81 to 1982-83), as many as 13 fertiliser units had worked at less than 50 per cent of their respective capacities. It transpired in evidence that by 1989-90 India will be able to produce 90 lakh tonnes of nutrients as against the present level of 44 lakh tonnes but as the demand by that time would rise to the level of 105-110 lakh tonnes, there will still be a shortfall of about 39 to 35 lakh tonnes including about 14 lakh tonnes of potassic fertiliser which will have to be imported fully. In the circumstances, the Committee recommended that effective steps should be taken by Government right now to prevent such gross under-utilisation of capacity in fertiliser units which were set up at considerable cost. This will not only increase availability of fertilisers in the country but also save valuable foreign exchange on imports of fertilisers.

Reply of Government

Many fertiliser plants are operating at satisfactory levels while a few others are unable to pick up and sustain operations at high levels. The low capacity utilisation in some of the fertiliser plants is due mainly to the following factors :

- (i) Old and ageing equipments as at Udyogamandal, Gorakhpur, Namrup-I and Rourkela units, and also the two small units at Ennors and Vcranasi ;
- (ii) Frequent mechanical failures due either to defective design or defective equipments or both, as at Namrup-II, Barauni, Durgapur, Talcher and Ramagundam Plants ; and

- (iii) Unstable power supply and power restrictions faced particularly by the plants at Durgapur, Barauni, Namrup, Talcher, Rourkela, Bhatinda and Panipat.

In addition, the direct power cut-restrictions imposed by the State Electricity Boards result in considerable loss of production year after year.

In so far as the plants with old and ageing equipments are concerned, it is very difficult to operate them at high loads. However, all possible efforts are being made to obtain as much production from the old plants as they are capable of yielding.

In plants having equipment and design defects, programmes involving renovation/de-bottlenecking/replacements have either been carried out (as at Barauni, Durgapur and Namrup-II units) or are being planned (as in Talcher and Ramagundam plants). Durgapur, Barauni and Namrup-II plants have however, not been able to derive advantage of the modifications because of the continuing problem of unstable power supply.

Wherever the problem of unstable power supply and power restrictions is acute, captive power facilities are either under installation or are being considered. Details are given separately in reply to para 1.17.

It is expected that the operations of the plants faced with equipment problems and unstable power supply would improve substantially after the aforesaid measures have been implemented.

[Ministry of Agriculture (Department of Agriculture & Cooperation)
O.M. No. 6-15/84-MD Dated-16-11-1984.]

Recommendation (Serial No. 4, Para 1.17)

The Committee find that apart from shortage of inputs one of the major factors which adversely affects utilisation of capacity in fertiliser plants is the power shortage. At present fertilisers plants have already got a total captive power generation capacity of 168 MW. Additional capacity of 173 MW is under installation. Recently, proposals for 32.5 MW capacity have been cleared and proposals for 110 MW capacity are under consideration of Government. The Committee urge that proposals for augmentation of captive power generation capacity in fertiliser plants may be viewed with favour and cleared expeditiously so as to meet the problem to some extent.

Reply of Government

The power problem being faced practically every year by the fertiliser plants is of two kinds. One is the power cut/restriction imposed by the State Electricity Boards which has the effect of drastically curtailing the production, or even shutdown of the plant. The other problem is one of unstable power supply characterised by frequent fluctuations, voltage dips, sudden system disturbances, etc. As regards the problem of direct power cut/restriction, the position can satisfactorily improve only if there is adequate availability of power. However, to ensure the front-end running of the plant and to reduce the time in re-startup of the plants when power cuts are restored, small captive power facilities have already been provided in many fertiliser plants. Thus small capacity gas turbines have been installed in Madras, Tuticorin and Barauni plants.

Bigger capacity captive power plants are already under installation at Barauni, Durgapur and Namrup. Recently, Government have also cleared the proposal of M/s. Southern Petrochemical Industries Corporation and M/s. Mangalore Chemicals and Fertilizers for setting up captive power plants in Tuticorin and Mangalore Fertilizer plants respectively. These various schemes, when completed, would go a long way in removing the problem faced by the fertilizer plants on account of unstable power supply and power restrictions.

Learning from the experience of the past many years, the Government have decided to equip all new Nitrogenous fertilizer plants with captive power facilities so as to take care of their total power requirement. These plants would be totally independent of the grid supply. Captive power plants are being set up as a part of the new Namrup-III, Thal and Hazira projects. Proposals for captive power plants are also under consideration for Panipat, Bhatinda and Talcher fertilizer plants, to meet their total power requirements. Similar captive power plants are also envisaged for the six new gas-based Nitrogenous fertilizer plants. Besides, the new generation Nitrogenous fertilizer plants are being set up on a total energy concept which requires less quantum of power as compared to the old generation plants.

The aforesaid measures being taken by the Government would help mitigate the power problems faced by the fertilizer plants to a substantial extent and enable them to achieve higher and sustained operation.

[Ministry of Agriculture, (Deptt. of Agri. & Coopn.) O.M. No.
6-15/MD-84 Dated 16.11.1984.]

Recommendation (Serial No. 14, Para 2.19)

At present there is a three tier system of Cooperatives who handle the distribution of fertilisers, viz. (i) Appax Federation at the State level (ii) Marketing Society at the District level and (iii) primary marketing society at the village level. It transpired in evidence that there are reports that the Appax Level Federations keep a major portion of distributor's margin leaving very little margin for the Village level cooperative societies with the result that these societies find the distribution business unremunerative. The Committee recommend that the Ministry may, in consultation with the State Governments/UTs. Administration, fix fair distributors' margins for different levels of cooperative societies so that interest of cooperative societies in distribution of fertiliser is sustained.

Reply of Government

The need for the existence of a three-tier system of cooperatives and apportionment of distribution margin among the tiers of distributing agencies in the Cooperatives Sector have been gone into in the past at different meetings/Conferences of Cooperative Marketing Federations and State Governments. In view of the complexities involved, no uniform pattern could be adopted throughout the country.

However, it has been recognised that in any fertiliser distribution system, both the apex marketing federation at the State level and the primary society at the village level, have an important role to play—whether in scarcity or surplus conditions. The distributor's margin is meant for various services like storage of fertilisers, interest on fertiliser credit obtained from banks, and various handling charges undertaken by the agencies concerned at different levels. The rational distribution of margins among the different levels of cooperative should be based on the functions performed by the various agencies/tiers of cooperatives involved.

These issues were discussed in a meeting with the representatives of the State Cooperative Marketing Federations and Registrar of Cooperative Societies of major Rabi States held in September, 1983. The meeting recommended :-

- (i) In any fertiliser distribution system, both apex marketing federation and the PACS have an important role to play whether in scarcity or surplus conditions. The apex marketing federation has to play a crucial role in the promotion, coordination, organisation and monitoring of the entire system of fertiliser distribution through cooperatives in the State, even if direct

supplies are arranged from the manufacturers to the PAC/retailers.

- (ii) Based on the experience of Gujarat, it is found that minimum involvement of apex federation and attractive distribution margins to PACS will be helpful. It is preferable to have direct movement of material from the manufacturers plants/warehouses to the retailers.
- (iii) So far as sharing of distribution margins is concerned, the Apex Federation should ordinarily not keep more than 10 to 15% of the margin in case of direct supplies to PACS when their role is restricted to monitoring, coordination, etc. The remaining distribution margins should be passed on to the lower tiers so that they get strengthened.

The Government broadly agrees with the above recommendations. Direct supplies by manufacturers like IFFCO to the primary Societies (PACS) in some States, with a larger share of distribution margin to the PACS has already been tried out on a pilot basis. The above recommendations of the Conference were also forwarded to the State Governments concerned for their consideration. The same will be reviewed again at the next Conference of the Registrar of Cooperative Societies etc.

[Ministry of Agriculture, (Deptt. of Agriculture & Cooperation)
O.M. No. 6-15/84-MD Dated : 16-11-1984.]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES ARE STILL AWAITED

NIL

NEW DELHI;

February 25, 1986

Phalguna 27, 1907

CHINTAMANI PANIGRAHI

Chairman

Estimates Committee *

APPENDIX

(Vide Introduction of the Report)

Analysis of Action Taken by Government on the 74th Report of Estimates Committee (7th Lok Sabha).

I. Total Number of recommendations	29
II. Recommendations/Observations that have been accepted by Government. (Nos. 1, 2, 5, 6, 7, 8, 11, 12, 13, 15, 16, 18, 19, 23, 24, 25, 26, 27, 28 and 29)	20
Percentage to total	69%
III. Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies. (Nos. 9, 10, 17, 20, 21 and 22)	6
Percentage to total	21%
IV. Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee. (Nos. 3, 4 and 14)	3
Percentage to total	10%
V. Recommendations/Observations in respect of which final replies of Government are still awaited. Nil	
Percentage to total	Nil